

DEPARTMENT OF MANAGEMENT AND BUDGET

FLEET SERVICES REPORT

PREPARED FOR
SENATE APPROPRIATIONS SUBCOMMITTEE ON
GENERAL GOVERNMENT
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
GENERAL GOVERNMENT
SENATE FISCAL AGENCY
HOUSE FISCAL AGENCY

AS REQUIRED UNDER
PUBLIC ACT 327 OF 2004, SECTION 715(4)

Agency Services
Vehicle and Travel Services
January 25, 2005

ACTIONS TO REDUCE THE STATE'S FLEET EXPENDITURES AND NUMBER OF VEHICLES

As required under Public Act 327 of 2004, section 715 (4), this report details the status of actions taken to reduce statewide motor vehicle expenditures and the size of the statewide motor vehicle fleet. The Department of Management and Budget (DMB) will continue to work with the legislature to meet the mutual goal of reducing the statewide fleet size and statewide fleet expenditures.

The state's fleet consists of various types of vehicles, including passenger vehicles and miscellaneous off-road and non-propelled equipment. For purposes of this report, we are including all vehicles insured for on-road use in the inventory count. As of September 30, 2004, the state's leased fleet, including 285 vehicles provided to colleges and universities, was 7,580 vehicles.

In addition, the Michigan Department of Transportation (MDOT) and the Michigan Department of Natural Resources (DNR) maintain agency-owned fleets, consistent with P.A. 431 (DMB Act) allowances. MDOT's fleet includes light duty trucks as well as heavy road maintenance vehicles and related ancillary off-road equipment. The MDOT agency-owned fleet includes 1,341 vehicles, including 610 passenger vehicles and light duty trucks. DNR maintains an agency-owned fleet for on and off-road functions, including mowers, ATV's, snowmobiles, dump trucks, fire trucks, etc. DNR owns approximately 250 vehicles for on-road use. An additional 1,161 units represent off-road and non-propelled equipment.

Actions Taken

Elimination of vehicles from the State's fleet – From October 1, 2002 through May 27, 2003, 1,293 vehicles were removed from the state's permanent fleet. With Executive Directive 2003-18, another 1,200 vehicles were targeted for reduction. At September 30, 2004, this goal had been met with 1,234 additional vehicles removed. The resulting savings met the department's target to reduce fleet expenditures by \$13 million.

Controls on Fleet Size – The Department of Management and Budget has implemented controls on fleet size including requirements for submission of a fleet plan by department, identification of seasonal needs, and strict approval requirements for any fleet additions to the state's leased fleet and passenger vehicles and light duty trucks in the state's owned fleet. The Department has approved 19 additional vehicles for a new class of DNR conservation officers.

Reduction in the number of vehicles in the Lansing Capitol Complex and Secondary Complex Motor Pools – DMB maintains central pools to meet the needs of state employees requiring short-term vehicle rentals of 10 days or less. To reduce costs associated with motor pool maintenance and to change travel behavior, motor pool inventories were targeted for a reduction of 46 vehicles. A reduction of 50 vehicles from the Lansing motor pools has been realized.

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Consolidation of state agency pools – Agencies maintain inventories of pool vehicles available for their use. DMB continues to review vehicle location, proximity to other departments and usage. To date, three additional motor pools have been established in Escanaba, Traverse City, and Detroit. The creation of these pools has resulted in fleet reductions of 10 vehicles.

Personal vehicle usage – Personal use of an employee's vehicle is offered as one alternative to state agencies maintaining vehicles in their fleets that do not meet the mileage criteria. Other indicators of usage (frequency of vehicle use, drivers' logs) may indicate a fleet vehicle assignment is appropriate despite low mileage. When vehicles are identified with low mileage, DMB asks agencies to investigate these vehicles for appropriateness of assignment and/or removal from the fleet. The IRS standard mileage rate is approved by the Civil Service Commission as the basis for employee reimbursement for premium mileage. On January 1, 2005, that rate was raised from 37.5 cents to 40.5 cents per mile.

Specialty vehicle assignments – When in the best economic interest of the state, DMB now assigns a standard fleet vehicle to department directors, rather than a specialty model that is more costly to purchase and maintain.

Establishment of vehicle type to match job requirement – A key to reducing costs is the alignment of the need for a vehicle with the actual job performed. An in-depth comparison of job specifications and vehicle type was completed, resulting in a reduction of models available for ordering.

In FY05, 33 models were selected. This is a significant reduction from the 104 selections that were offered in FY03 and a slight increase from the 21 model selectors in FY04. This increase was required to accommodate fleet needs for trucks that were not acquired in FY04, hybrid vehicles, and selectors modified to match the right vehicle for the job.

Elimination of unnecessary vehicle options – In conjunction with reducing the number of models offered, a review was conducted of the options required for the driver to perform job-related duties. It was determined that options, including window tinting, all wheel drive, bucket seats and some security screen configurations, were unnecessary and therefore eliminated.

Assessment of early termination fees – To encourage accountability, DMB will require agencies that turn in a vehicle early to be assessed lost resale dollars. This assessment is included in the agreement between DMB and departments that drive state vehicles. Departments have either signed this agreement or are in the process of reviewing and signing it.

Fuel Costs – DMB will explore negotiating with gas stations for discounts to the state, directing employees to refuel at these locations. Speedway is the only discounted vendor at this time. Additional fuel costs may be incurred as a result of the American

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Job Creation Act of 2004 that is scheduled to become effective in March 2005. A provision of the act significantly complicates the state's ability to purchase fuel exempt of federal excise taxes through its fuel card vendors. The IRS is expected to offer guidance in the near future. Vehicle and Travel Services (VTS) continues to monitor fuel costs and its impact on the VTS appropriation.

Department and driver agreements – To encourage accountability, DMB has required each department and driver to sign an agreement detailing responsibility for vehicle care and use. Departments have either signed a department agreement or are in the process of reviewing and signing it. Each Department's Human Resources Office has either received a signed State Motor Vehicle Driver Agreement from every employee or documented that employees have been informed of their responsibilities within the agreement. The agreement will become part of each department's new employee hiring package.

Elimination of vehicle loaner program – DMB maintained an inventory of vehicles available to state agencies when their assigned cars were out of service. To reduce the overall fleet size and reduce costs, this program has been eliminated.

Minimize out of network expenses – DMB will minimize the use of maintenance facilities that are not in a contracted network of vendors that service state vehicles. Repairs performed by out of network facilities result in increased costs charged to the state.

Fleet Review Study – The department is currently engaged in a complete review of fleet operations including management practices compared to industry benchmarks, fleet financing options, an assessment of the state's garage operations and current fleet contracts. Recommendations from that study will be implemented to optimize fleet operations consistent with industry best practices.

Consolidation of fleet management functions into one department – Currently each department assigns a vehicle coordinator to work with DMB. The viability of developing administrative partnerships by consolidating the management function into one department will be reviewed as part of the fleet review study.

Evaluation of past approach to bidding the lease management contract – DMB will review the options available for the state's lease management contract. This review will encompass the costs associated with state vehicle purchasing, leasing through a vendor, or a combination of alternatives.